000002/240

Company Registration No. FC038602

HC-ONE TOPCO LIMITED

Annual Report and Financial Statements
For the year ended 30 September 2023

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

CONTENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Ms K Adamek Cholewa
Mr K Bahamdan
Dame R Carnall
Mr Z Dannaoui
Mr M Oh
Dr C B Patel
Mr D A Smith
Mr A Trickett
Mr J W Tugendhat
Mr A Whitman

REGISTERED OFFICE

C/O IQ EQ Corporate Services (Cayman) Limited
PO BOX 2251
3rd Floor Whitehall House
238 North Church Street
Grand Cayman
KY1-1107
Cayman Islands

BANKERS

Natwest plc
115 Highstreet
Epsom
Surrey
KT19 8DX

Barclays Bank PLC
South East Corporate Banking Centre
PO Box 112
Horsham
West Sussex
RH12 1YQ

AUDITOR

KPMG LLP
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE1 3DX

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2023, which they have elected to prepare as if the UK Companies Act 2006 for such a report applied to every entity, domestic or international. HC-One Topco Limited ("the Company") acts as a holding company, which conducts corporate activities on behalf of the Company and its subsidiaries ("the Group"). The Group owns care homes which are managed by the operating subsidiaries HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No.5 Limited, HC-One Management Limited and HC-One No.6 Limited. HC-One supports individuals towards the end of their lives managing complex conditions including dementia, nursing and frailty.

The Annual Report and Financial Statements for HC-One Topco Limited (the ultimate holding company) set out the full financial position of our business.

This Strategic Report covers all Group entities, including 12 overseas entities, and all entities continue to be UK tax resident and file accounts (or statements) at Companies House in the UK (see note 13).

THE BUSINESS MODEL, OBJECTIVES AND STRATEGIES

We strive to be the first choice for those we care for, their families, colleagues and commissioners in the communities we serve. We bring together specialisms in dementia care, nursing and frailty, and we endeavour to care through kindness, to best meet the circumstances, conditions and choices of individuals and to support them to lead their best lives.

We always seek to understand how care needs are evolving in the communities we serve, and to ensure our care teams are rewarded for their skill and dedication. As at 30 September 2023, we operated over 270 homes providing care to more than 13,000 residents.

Each year, the Board of the Company undertakes an in-depth review of our strategy, including our business plan for the forthcoming five years. The approved plan and strategy form the basis for the financial budgets and investment decisions, and our future strategic direction. The Annual Report demonstrates the progress being made on delivering on our strategy, investing at scale into our workforce and our vital state funded services with the support of our shareholders.

This year we have been proud to continue to significantly invest in our colleagues. In April 2023, we announced an investment of a further £32.5 million in colleague pay, which brought over 80% of our workforce to Real Living Wage or above, with all care colleagues able to earn the Real Living Wage after two years of service. This investment raised the rate of our lowest paid colleagues by almost 10%. By contrast, senior management pay rose by 4% for the same period. In addition to pay increases, we have also enhanced our maternity and paternity leave, and launched a new benefits platform for our colleagues.

We want to be a workplace where colleagues can grow and develop lifetime careers. We are proud to have launched our own nurse preceptorship programme, designed to support and develop new members of our nursing community. We are also continuing our roll-out of Flex Force, our initiative that brings flexible working to social care whilst ensuring colleagues can guarantee a set number of hours that are right for them. All of this, combined with our ongoing learning and development opportunities – from apprenticeships to our Aspiring Home Manager programme - has contributed to significantly improved colleague retention rates. This year we have seen our turnover rate reduce to levels that are now ahead of the sector average (based on data held by Skills for Care).

As well as investing heavily in our colleagues, we are continuing with our £93m million refurbishment programme. With over 200 of our homes benefiting from this programme, this is the largest care home upgrade programme in the NHS and Local Authority funded care home sector in the UK. Refurbishment work has completed at over 110 homes, with this programme continuing into 2025. This programme will ensure that our residents and colleagues can live and work in more specialised, comfortable homes, fitter for the future of care. We are also investing in our new build programme which is bringing a new generation of innovative, sustainable and purpose-built homes, with two new build homes due to open in 2024.

We are proud to be innovating to meet the evolving needs of people requiring care. Our Specialist Dementia Care Community pioneers a therapeutic approach in caring for people who are emotionally distressed by their dementia and therefore require specialist care and support. We have also launched enhanced NHS discharge services to provide an efficient pathway to help alleviate the pressure on acute NHS capacity and ensure patients have positive outcomes.

The advances made in colleague pay, our service offerings, and the extensive upgrades to the portfolio of homes themselves, support our continuing objective of enhancing quality across the organisation and delivering better care to our residents, particularly those with complex needs. We continue to have good relationships with social care regulators across each of the jurisdictions we operate in.

STRATEGIC REPORT (Continued)

As of 30 September 2023, we own c85% of our properties and we are well funded with a debt facility of £570m which is secured over the property and assets by way of a mortgage with an equivalent loan to value ratio of 67.2% (as at 30 September 2023). This funding ensured financial stability during the unpredictable environment of the COVID-19 pandemic and continues to support us during the current macro-economic conditions. No dividends to shareholders were declared or paid by the Company in the year.

As HC-One has continued to recover from the impact of COVID-19, against an environment of rising inflation and costs, with sustained pressure on publicly funded fees, the Group reported an operating loss of £63.7m, after deducting exceptional costs of £62.9m in the year. We remain fully funded and will continue investing to ensure that everyone who lives and works in our care homes can lead their best lives.

Acquisition of Ideal Carehomes

HC-One is also proud to have acquired Ideal Carehomes on 12 October 2023. The acquisition includes 36 care homes in England, with a further care home expected to open in Cheltenham in September 2024. Ideal Carehomes supports c1,600 residents.

With a shared commitment to delivering high quality, kind care, we look forward to working together and continuing to support residents to lead their best lives.

Ideal Carehomes has an excellent model of developing, opening and operating successful care homes in a sector that is not seeing enough new builds. Working with Ideal Carehomes is a natural partnership as we look to further enhance our portfolio and expand our offer and choice to people throughout their care journey.

REVIEW OF BUSINESS

As at 30 September 2023 the Group provided nursing and residential care to more than 13,000 residents across over 270 care homes in the UK (2022: 13,000 residents across c290 care homes in the UK).

At 30 September 2023 the Group's property portfolio was valued at £805.0m (2022 £864.3m) which consists of:

a) 234 (2022: 256) operating properties of which 100 (2022: 108) properties are subject to 175-year term
b) Nil owned residential property (2022: 0)
c) 1 land sites owned (2022: 2)
d) 39 leased and managed properties (2022: 39).

KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) used by the Group to measure the financial and operational performance of its operating business include average occupancy, self-pay occupancy, average weekly fees, payroll costs per resident per week and EBITDAR at home level. See below the performances and key achievements of the operating business for the year ended 30 September 2023:

- Occupancy 89.9% (2022: 84.8%), 6.0% higher than prior year;
- Self-pay occupancy 24.5% (2022: 24.2%), 1.2% higher than prior year;
- Average weekly fee rate £926 (2022: £845), 9.5% higher than prior year;
- Payroll costs per resident per week £613 (2022: £570), 7.5% higher than prior year;
- Vacancy rate % (carer, hours) 8% (2022: 12%), 33.3% lower than prior year.
- Colleague turnover rate % 29% (2022: 39%), 25.6% lower than prior year
- External inspection ratings % good or above 83% (2022: 80%), 3.8% higher than prior year
- Home EBITDAR* 19.3% (2022: 18.8%), 2.6% higher than prior year;
- Home EBITDAR per occupied bed £6,144 (2022: £7,172), 14.3% lower than prior year.

*Home EBITDAR is earnings before interest receivable and similar income, interest payable and similar expenses, tax, depreciation, amortisation, rent, impairment, onerous lease provision, profit on disposal of tangible fixed assets and exceptional costs.

STRATEGIC REPORT (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors of the Company have overall responsibility for the Group and its subsidiaries in assessing risk and taking appropriate action. Accordingly, the Group risks and policies also apply to the Company.

Credit risk

Our principal assets are bank balances and cash, trade and other receivables and tangible fixed assets.

Our credit risk is primarily attributable to its trade receivables. Trade receivables are reviewed on a regular basis to ensure they are collectable. The amounts presented in the balance sheet are net of allowances for doubtful receivables, which we estimate based on previous experience and assessment of the current economic climate. Also, risk is spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

We have continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments. All committed facilities are monitored and maintained regularly ensuring that all future improvement programmes are met. See accounting policies note 1 for further details.

Price risk

We face uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No.5 Limited, HC-One Management Limited and HC-One No.6 Limited. The average weekly fee rates are also driven by the number of residents funded by Local Authorities and by private fee payers.

Interest rate risk

We finance our operations through called-up share capital and external debts. The interest rate applicable to the external debt of £540.8m is fixed at 12% per annum as at 30 September 2023.

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Our activities are exposed to a number of operational risks, which are listed below:

Reputational Risk

Any serious incident relating to the provision of care services could result in negative publicity and increased scrutiny from regulators, residents and families.

In order to mitigate this risk, we deliver comprehensive and continuous employee training via mandatory and specialist learning and development programme, have independent quality inspectors, carry out a Disclosure and Barring Service check on all care staff and monitor compliance with an industry best electronic system. We also have clear governance processes to report on risks and incidents, and then implement learnings from those events to mitigate the risk of future incidents.

Regulatory Risk

Our operations are subject to an increasingly high level of regulation and scrutiny by various regulators across the UK. Inspections are largely unannounced and often involve several inspectors per home visit. The failure to meet the appropriate national regulations could lead to a service being placed under special measures, being subjected to enforcement notices or possibly forced to close.

To mitigate this risk and support our colleagues to deliver quality care to residents, we have introduced a comprehensive intelligence-based early warning system which, together with a focus on clinical and other quality insight metrics, allow us to identify homes in need of additional support. This is supplemented by a team of internal inspectors who operate using an outcome-focussed internal assessment framework to continually monitor outcomes against internal quality measures and compliance with external regulations. The internal inspections are shared with home managers and their line managers, and progress against subsequent required actions is reviewed by both line management and our inspectors. Quality measures, including Key Clinical Indicators, are monitored on a weekly basis, with management interventions where appropriate.

We have developed and produced our HC-One Resident Safety Framework with significant contributions from colleagues across HC-One. The framework is informed by the best practice principles of the NHS Patient Safety Strategy (NHS England 2019) and associated Patient Safety Incident Response Framework (PSIRF). The HC-One framework is underpinned by a supportive learning culture and our 'Five Cs of Kindness the HC-One Way' are embedded into our framework and implementation plan which supports us to bring kindness to life in everything we do. This framework is enabled by the introduction of a new incident management system which promotes learning from everything that happens in our homes.

We also monitor complaints, incidents and safeguarding concerns, with a robust framework in place to assess, investigate, resolve and most critically learn and apply across the organisation. We have a whistleblowing procedure through which colleagues can raise concerns confidentially either with their manager, their superior, or, a member of the operational team, about how other colleagues are being treated or practices within our business or supply chain, without fear of reprisals.

Colleague Capacity and Competency

There is a risk of not recruiting or developing the right calibre of leadership and/or not developing the core competencies needed to manage an organisation of our scale and complexity. There is also a risk of not having the correct resources in place and establishing the level of carer, manager and clinical capacity and capability, for the unique and personalised levels of care our residents need and/or for which we are commissioned.

We have enhanced our leadership capability in recent years, enabling the cultural changes required to attract even more talent, from inside and outside of the sector. We have developed our Leading the HC-One Way model which sets the standard for leadership and supports our leaders to grow in confidence and skills, so they can grow, support and develop others.

Our focus on personal and professional development, rooted in trust-based Growth Conversations, is enabling us to invest in the skills, knowledge and experience we need for today and for the future, and helping our colleagues. We offer a tailored, highly creative and experiential learning experience, starting with our highly acclaimed Induction programme, and then ongoing learning and development opportunities that shape and build a solid foundation for a career in care. The development offer also includes a pathways approach to developing aspiring leaders from within our existing colleague community.

Our overseas nursing programme is a key channel to bringing in additional nursing skills, as we invest in our clinical capability, in areas such as our Nursing Assistant Programme and Nursing Preceptorship Programme.

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Flexibility, rooted in personalised care and requiring flexible working practices, is behind our investment in Flex Force, an innovative contract which, unlike a zero hours contract, creates consistent monthly income, wrapped in the deployment of hours flexibly across days and homes. This, combined with the push to anchor decisions on resource allocation in our homes, will integrate more flexible practices for delivering care and working practices.

Monitoring of Key Clinical Indicators gives management the view of acuity and changing care needs, such that changes can be made to the care model as required.

Property Risks

Property risks include the risk of major fire, legionella outbreak, other loss of buildings and major equipment failure. The impact of a major fire could endanger lives of our residents and colleagues. The effect of loss of buildings and/or major equipment failure may result in significant disruption to care service provided.

External fire risk assessments are completed every two years with an internal review carried out in between. This highlights any fire risk concerns, be that physical aspects of the building, or elements of operational control. Full compliance is targeted for all statutory pre-planned maintenance activities, and this includes fire alarms and gas certification. A programme of colleague training is in place to ensure colleagues are adequately equipped to deal with fire emergencies but also, they are aware of things that may result in fire. A fire alarm upgrade programme is currently being delivered with circa 20 fire alarms being upgraded every year. Legionella testing and a compliance programme is in place in all homes. An overall risk averse approach continues with regards to any significant risk.

A significant and comprehensive pre-planned maintenance schedule exists for all major pieces of equipment. Much of this is legally driven and full 100% compliance is the target. A new compliance focussed computer-aided facility management (CAFM) system has been implemented in 2023 and once fully embedded, this is expected to be able to manage compliance in greater detail. We have various contingencies in place for a variety of major equipment failure and this has also now been expanded to cover potential risk as a result of extreme weather situations.

Changes to Commissioning

Changes to national Adult Social Care funding arrangements, legislation or changes to levels of council/National Health Service funding, in relation to how an individual funds their care, could have a material impact on our business model operations and profitability.

We have quality processes and arrangements, which support us to be the first choice provider in the communities we serve, to ensure continued demand, regardless of funding and system changes. We continue to engage with stakeholders across local, devolved and national governments, care associations and professional bodies to help shape the social care sector, for both current and future needs. We want to work in partnership with these stakeholders to create a sustainable and better organised system delivering quality care, meeting the needs of individuals and communities so that more people can lead their best life.

We monitor for political and policy developments relevant to our operation and the sector, and contribute to Government research, working groups and consultation exercises.

Potential future pandemics

The impact of a pandemic, like COVID-19, is demonstrably a major risk for those we care for, as well as for our finances and ability to deliver our long-term goals.

We continue to work with the Department for Health and Social Care, enabling us to proactively prepare for such events. We also have local NHS partnerships and a longstanding relationship with colleague union representatives. Furthermore, we perform scenario analysis and modelling of forecasts and cash flows for next five financial years.

STRATEGIC REPORT (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Board of Directors of HC-One Topco Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote our success for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a-f) of the Act) in the decisions taken during the year ended 30 September 2023.

The following paragraphs summarise how the Directors fulfil their duties:

Our purpose, strategy and consideration of the consequence of decisions for the long term
Our purpose is to support those in our care to lead their best life. In setting our purpose, our mission is being the first choice for families, our colleagues and our commissioners, serving at the heart of each of our communities.

We bring together specialisms in dementia care, nursing and frailty, caring through kindness, and meeting the needs of individuals, to give residents quality of life.

We are a public service, privately delivered, that focuses on high quality care for communities all over Britain. This is underpinned by a long-term partnership with the healthcare system and local authorities.

Each year, the Board undertakes an in-depth review of our strategy, including its business plan for the forthcoming five years. The approved plan and strategy form the basis for the financial budgets and investment decisions and also our future strategic direction.

Engaging with our stakeholders
The Board recognises its responsibility to act fairly between all of our stakeholders and its decisions are based on the best long-term interest of stakeholders, considering the balance of financial and operational risk compared with the potential financial returns.

Residents and relatives
We pride ourselves in the privilege of caring for our residents on a daily basis, 24/7, and our ability to make a real difference to their lives. We maintain continuous dialogue and relationships with relatives of our residents. Our residents and relatives have the right to expect the highest quality care and service at a price that represents value for money. We want to lead the sector in listening to families, learning and handling any complaints. In addition to the regular dialogues between our homes, residents and relatives, our annual resident and relative survey also enables us to receive feedback across our portfolio, so we can identify what we are doing well, and what more we can do.

Our People
Our people are critical to delivering our strategy and our purpose to support those in our care to lead their best life. This will happen as a direct result of our colleagues believing that we are the most fulfilling place to work in the sector. A deep connection with every colleague, each feeling a meaningful sense of belonging to our organisation, trust in our leadership, and believing they can bring their full and best selves to work, are core to the culture we are nurturing. We are proud to support this with ongoing training and development for our colleagues, from nursing to catering, and ongoing investment in pay. This year, supported by a £32.5m investment, we increased the rate of pay of our lowest paid colleagues by almost 10%, with increases similarly reflected across HC-One's zonal structure and more senior care roles. This builds on increases in pay made the previous year and means that average carer pay has increased by almost 20% since 2021.

We have codified our Kindness the HC-One Way model. Rooted in a deep understanding of what kind care means to our residents, families and colleagues, this model identifies a set of qualities (the 5 Cs) that underpins everything we do – we are Curious, Compassionate, Creative, Courageous and Counted on. Through these qualities, we empower, challenge, coach and develop our colleagues to provide the kindest care.

We are committed to investing in our colleagues, through pay and reward, as well as a wide variety of learning and development opportunities offered at all levels of the business, so that our colleagues can enjoy a fulfilling career in care at HC-One.

STRATEGIC REPORT (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

Investors
The Board is committed to openly engaging with its shareholders, as it recognises the importance of a continuing and effective dialogue. The Chief Executive Officer, Chief Financial Officer and other members of the Executive team engage with the investors on a monthly basis at Board meetings, so as to provide regular guidance and transparent information, in order for investors to have a good understanding of the business and visibility of their return on investment. It is important to the Board that shareholders understand and help to shape our strategy and objectives. Monthly Board meetings provide for effective governance of the organisation and the opportunity for management to be challenged, questioned, and encouraged, to ensure the effective execution of our strategy, allocation of capital and resource, and return on investment.

Lender and landlords
Access to cash and debt is essential for us to be able to execute our strategy. The Board is committed to having a positive, transparent and engaging relationship with its lender and landlords on an ongoing basis. The Board provides monthly, quarterly and annual updates to its lender, aligned to relevant facility documents, as well as being engaged in open dialogue and regular progress updates.

Commissioners
Our commissioners are imperative to our organisation and our ability to execute its strategy. We strive to be the first choice for our commissioners and to be sought out as a partner of choice. We are committed to developing and maintaining strong relationships with our commissioners, through regular meetings, discussions and negotiations. As the demand for care is evolving, with more complex needs, we are working with our commissioning partners to identify how the demand is changing, and how we can work together to address it. We endeavour to be a trustworthy partner and key component of the local health and social care landscape. Working in partnership with commissioners, as well as policy makers, we want to create a sustainable and better organised system delivering quality care, meeting the needs of individuals and communities so that more people can lead their best life.

Our Suppliers
Our suppliers and business partners are essential in delivering high-quality sustainable services to our residents. To do this, we need to develop and maintain strong relationships and provide regular communication through feedback and performance reviews. We value all our suppliers and have multi-year contracts with key suppliers. We understand the requirement for our suppliers to feel assured of the creditworthiness of their customers and we work closely with each of them to deliver a mutual desired outcome in terms of payment practices.

Our Regulators
We operate in a highly regulated environment, and it is vital that the quality of care provided to our residents is tailored to each and every resident's needs. Our regulators inspect each of our homes and report as to whether they are deemed to be compliant. Any weaknesses in compliance are taken extremely seriously by the Board, the Executive and the individual care home. The operations and quality teams work together with each regulator to ensure rapid corrective action. We also have our own internal inspection regime, which is continually assessing our homes to the same high standards as external regulators. Our regulators need to feel assured that high quality care is being provided in every care home and that regulations and procedures are being complied with, in order to mitigate any risks to our residents.

Community and Environment
Our mission is to be the first choice for families, our colleagues and our commissioners, serving at the heart of each of our communities. The Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner and has commissioned a review of our environmental footprint on which to build a strategy to achieve a sustainable business. We strive to meet the care needs of our communities and ensure that each and every one of our homes provide a safe, homely, friendly and fun place to be, along with ensuring a positive impact to the community in which they sit. Each of our care homes hold open days, family days and engage with various local groups, for example, schools and churches. This helps the communities not only to engage with the residents in our care but also to give a sense of purpose, fun and coming together.

STRATEGIC REPORT (Continued)

EMPLOYEE VOICE

We are committed to both the principle and realisation of equal opportunities regardless of age, disability, ethnicity, race, religion or belief, sex, sexual orientation, gender reassignment, marriage and civil partnership, pregnancy and maternity or any other characteristic protected by law.

It is our aim to provide rewarding and progressive careers for colleagues, as well as to attract people of the highest calibre. We provide learning via a series of learning and development programmes, are building clinical and non-clinical career pathways, and continually innovate in the area of pay and benefits. In addition to remuneration, all staff are eligible to be nominated for a 'Kindness in Care Award', acknowledging and celebrating individuals and teams within our care homes that always 'go the extra mile' to deliver the kindest care.

We are also invested in our relationship with the GMB Union, which is important for colleagues who choose to be represented by a Trade Union. We view this relationship as one amongst many, where we seek to build strong stakeholder networks, encompassing the views, and insights of all colleagues. The voice of our colleagues is also captured through our Feedback, Understand, Solve, Evolve (FUSE) Forums and our Colleague Surveys, these being core parts of our goal to be a truly listening and learning organisation, where colleagues thrive and whose voices are shown to matter.

The table below provides a breakdown of the gender of Board members, senior management and employees at the end of the financial year:

	Males	Females
Board members	8	2
Senior Management	4	6
Group employees	3,919	15,427

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned and requirements of the role. We operate an Occupational Health service which helps to provide support in identifying potential reasonable adjustments to accommodate colleagues needs. In the event of members of staff becoming disabled every effort is made to ensure that their employment with us continues, reasonable adjustments are explored, and that appropriate training is arranged. It is our policy that the training, career development and promotion of disabled persons should, as far as possible, be equitable to that of all employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We have maintained our responsibility and sustainability approach towards residents, employees, the environment and the community. We are committed to the long-term sustainability of the business operations, through the delivery of policy and programme, and have started a clear Environmental, Social and Governance Strategy by which we will reduce our carbon footprint and ensure our business operates in a long-term sustainable way. We have also established a clear governance oversight group to ensure the Strategy and supporting actions are being measured and achieved.

Quality and Health & Safety

The Group is committed to delivering a healthy and safe workforce and minimises impact to the environment. This includes formal training programmes and risk assessments. The Quality and Safety Committee provides leadership and direction to the Group and covers the three vital components needed to support the provision of kindest care, Safety, Quality and Compliance with statutory duties and regulatory standards. The Quality and Safety Committee meets quarterly to review the key health and safety, safeguarding and clinical quality issues and risks across the business; this Committee is supported by the monthly Combined Governance Group.

STRATEGIC REPORT (Continued)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

Residents and Employees

The Group is committed to challenging discrimination and harassment and promoting equality for all which includes the creation of an Equality, Diversity and Inclusion lead role. We are also committed to ensuring that the environment for the workforce and residents is free from harassment and bullying and every individual involved is treated with respect and dignity with the opportunity of escalating any concerns through a whistleblowing service.

Human rights

We believe in individual human rights. We are committed to supporting human rights through the compliance with law and regulations in all aspects of policies and business operations.

Environment

We recognise the importance of good environment practice:

- We have maintained an effort to purchase goods and services with the least environmental impact. We continue to improve waste conversion and recycling collections.
- Our refurbishment works have, where possible, considered the use of low energy lighting, use of new hot water and heating systems at higher efficiency and other energy savings schemes.

We are committed to improving further the environment we operate, through objectives and target setting and these have been developed further in the Environmental, Social and Governance Strategy. We are committed to working collaboratively with our supply chain as part of this work and will be looking to create a Supplier Engagement Strategy through 2024. .

Community

Community integration is a central part of our care home operation. We achieve positive community integration through developing strong links with local groups, churches, sheltered housing and assisted living developments, schools and charities.

UK CLIMATE-RELATED FINANCIAL DISCLOSURE ("UKCFD")

The energy used by the Group in the year ended 30th September 2023 is as follows:

Energy Type	Number	Type	kgCO2e	%
Electricity	49,121,193	kwh's	10,334,947	28.8
Natural Gas	133,350,683	kwh's	24,388,299	67.8
Transport	2,643,665	Miles	734,151	2.0
Heating Oil	247,667	Ltrs	495,727	1.4
Total			**35,953,123**	**100**
KgCO2e per registered bed			**2,260**	

The associated CO2 emissions amounted to 35,953,123 Kilograms. The intensity measure used by the Group is Kilograms of CO2e per registered bed. On this measure, the intensity value for the year ended 30th September 2023 is 2,260kgCO2e per registered bed. The data has been collected and provided by an external energy management company who manage the Group's energy billing, reporting, data and cost validation on a day to day basis.

STRATEGIC REPORT (Continued)

UK CLIMATE-RELATED FINANCIAL DISCLOSURE ("UKCFD") (continued)

We take our impact on the global climate seriously, recognising the importance of good environmental practice. Where possible, we are committed to adopting energy efficiency measures to help reduce our impact on climate change and also recognise the need to increase the focus on sustainability within a 24-hour 365-day operation. A strategy aimed towards achieving Net Zero Carbon is now incredibly important. Energy efficiency measures taken during the year include the installation of many new highly efficient boilers to replace aged equipment, LED lighting, modern heating controls and optimised controls of lighting and plant rooms. Plans are currently underway to look at ensuring all homes have the right levels of loft and wall insulation and that windows are adequately glazed, and we intend to phase out gas within kitchens and replace with electric appliances. Dependent upon the cost of energy and the subsequent impact upon payback periods solar PV installations on care home roofs are currently being explored alongside other newer innovations such as air source heat pump dryers to replace gas.

Climate-related financial disclosures

We have clear governance arrangements in place for assessing and managing climate-related risks and opportunities which are embedded within our risk management framework and considered alongside all of our corporate risks. Climate-related risks are identified and reported through our governance structure, which includes the ESG oversight group, to the Combined Governance Group which is responsible for reviewing risks across our business. The strategically important risks are then reported to our Executive Risk Committee and in turn to our Board Performance Committee which has delegated responsibility on behalf of the Company to oversee strategic risks. We actively review our corporate risk register on a quarterly basis and many of the risks identified include the direct or indirect impact of climate-related issues.

We have undertaken an external review of the climate related risks and opportunities across the organisation. This was presented to the Board in April 2023 as the overarching strategic approach to climate issues (as part of a wider Environmental, Social and Governance review). We are now reviewing the risks and opportunities identified with a view to agreeing short, mid and long term plans to address the issues raised, and ensuring we have the process and infrastructure in place to track performance against those plans.

The process for identifying, assessing and managing climate-related risks is part of our risk management framework which covers the identification of key risks across our organisation. In summary, each area of the organisation undertakes an ongoing and robust assessment of risk, including those relating to climate, and determines whether proportionate and effective control measures are in place to mitigate and manage such risks.

As a socially responsibly care provider, all of our categories of risk contain an element of climate-related issues to a greater or lesser extent, such as Strategic, Legal & Regulatory, and Health, Safety & Environmental. In addition, we have an ESG oversight group focussing specifically on ESG issues, including climate-related risks and opportunities. Key risks and issues are raised at the Combined Governance Group, which in turn reports to the Executive Committee and ultimately the Board.

The table below summarises the principal climate-related risks and opportunities arising in connection with our operations, the time periods by which those risks and opportunities are assessed, and a description of the actual and potential impacts of the principal climate-related risks and opportunities for our business model and strategy.

Risk Type	Risk posed	Timeframe	Mitigations	Opportunity
Weather-related events – acute	An extreme weather event such as fire, flood or heatwave that adversely impacts the running of our homes, our colleagues' ability to work and/or our supply chain	Short and Mid term	1. Robust contingency and business continuity plans in place at both home and organisational level 2. Applying better technologies and building methodologies to better withstand the weather-related impacts of climate change	By creating buildings and supply chains that can better withstand weather-related events, our organisation will become more resilient and sustainable.
Weather-related events – chronic	Permanent changes in weather patterns such as rising temperatures and water levels impacting the running of our homes and/or our supply	Long term	1. Utilising technologies to both build new homes and develop existing homes to adapt to changing environments across the UK	Using lower carbon technologies and sustainable suppliers will ensure our assets remain attractive for long term

STRATEGIC REPORT (Continued)

Risk Type	Risk posed	Timeframe	Mitigations	Opportunity
	chain, including access to energy		2. Working with local and diverse suppliers and verifying their capacity to adapt to changing environments 3. Removing the reliance of gas within our asset base by 2040, and moving to renewable, sustainable sources of energy	investment, as well as reducing our energy costs.
Policy	Regulatory change may impact i) the longevity of our physical assets, and ii) our ability to meet environment-related standards required as part of the overall regulations for the services we provide, both of which would have an impact on the value of our business	Mid and Long term	1. Taking action now to pre-empt regulatory requirements and working with developers, landlords and regulators to ensure our assets and services are fit for the future	By creating a sustainable asset base and service model, we will be able to attract long term investment to continue innovating and providing our residents with their best life.
Technology	Not implementing lower-carbon technologies in our homes and services which then impacts our ability to meet the regulatory and commercial demands on our business	Long term	1. Investing in and utilising technologies to both build new homes and develop existing homes to ensure a sustainable business model	Using lower-carbon technologies in our homes and services may provide opportunities for decreased costs and increased revenue. Government intervention may support the use of such technologies and increase the cost-effectiveness of doing so.
Market	Failure to recognise market trends driven by climate change, resulting in a failure to meet changing consumer, employee, investor and public procurement demands	Mid and Long term	1. Listening to and working with our residents, employees and other stakeholders to understand their requirements and develop solutions 2. Evidencing the changes we are making to demonstrate our commitment to meeting our goals	New consumers, colleagues and investors may be attracted to our services as a result of our approach to climate related issues
Legal & Reputation	Failure to engage with, and take action in respect of climate-related issues is likely to negatively impact our reputation and brand	Mid and Long term	1. Meeting legal and regulatory requirements in a timely and sustainable way 2. Evidencing our actions to key stakeholders	A regulatory judgement enforcing climate-related requirements on others may make our ability to provide lower-carbon and sustainable services more attractive

We have engaged a leading consultancy to assist the development of our ESG strategy, and we have listened to both internal and external stakeholders to understand the ESG topics which are most relevant to us. The key elements of our business which need to be resilient to climate change are the physical properties themselves, how we consume energy, and the indirect impact of our supply chain not considering different climate-related scenarios that may impact their ability to supply the required services.

STRATEGIC REPORT (Continued)

UK CLIMATE-RELATED FINANCIAL DISCLOSURE ("UKCFD") (continued)

We have focussed on the most relevant and significant scenarios impacting our business, which will expand as our methodologies and understanding develops. Examples of these scenarios are:

1. If new regulations require use to reduce our carbon emissions more quickly, we are prepared for this in several ways. We maintain an open dialogue with our suppliers to ensure they remain confident of reacting to potential new regulations in good time. Those suppliers who are unwilling or unable to work to our net zero target by 2040 will be phased out over the coming years. In addition, during the course of 2024 we will set out our roadmap for net zero carbon in our physical assets by 2040 and as part of this, we will identify where action could be accelerated if required.
2. If our assets are impacted by extreme weather conditions such as floods, fires and heatwaves, we have detailed business continuity plans at both home-level and as an organisation. All homes identified as at risk from extreme weather events have been supplied with the appropriate preventative equipment and clear guidance on when and how to use it, such as flood defence barriers, portable air conditioning units and power generators.
3. If we were to experience another pandemic, we have developed robust plans to identify potential outbreaks, mitigate the risk of such outbreaks, and limit the spread of any infections to the extent possible to do so.
4. If supply chains do not properly prepare for different climate-related scenarios as a result of changing global weather conditions, we are working closely with our suppliers to ensure they have adequate disaster recovery plans in place to ensure a continuous supply of food and other goods to our homes, such as PPE. We will be working closely with suppliers during 2024 to understand what risk mitigation plans are in place and to ensure alternative suppliers if required.

We are working towards a 90% reduction in our annual emissions by 2040, with the intention that the residual emissions then being offset with verified annual credits.

Achieving this target will require a fundamental shift in our operations across the organisation, with responsibilities for delivering the actions embedded within appropriate functions. We will adopt regular progress reporting through the key performance indicators set out below to ensure we are held to account for achieving the target set, within interim milestones for the short, mid and long term.

Topic	Indicator	Measurement	Associated risk
Net Zero Carbon	Scope 1, 2 & 3 emissions	Kg CO2c by £/turnover	Weather-related, Market, Policy
	Onsite gas consumption	% assets	Technology, Market, Policy
	Green Electricity Purchase	% assets	Technology, Market, Policy
	EPC ratings	% assets at EPC Band B or above	Technology, Market, Policy, Legal & Reputational
Waste	Total waste generation	Kg waste	Technology, Market, Policy
	Reduction in single use plastics	Number of initiatives	Technology, Market, Policy
Water	Operational water	Litre per day per resident	Market, Policy
Sustainable transportation	What % of business travel bookings are made through the centralised system	% of bookings by spend	Market, Policy
	Active EV charging spaces	% of parking spaces	Market, Legal & Reputational

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the balance sheet date are contained in note 26 to the financial statements.

STRATEGIC REPORT (Continued)

FUTURE BUSINESS DEVELOPMENTS

We continue to invest heavily in our portfolio and workforce to ensure we offer the best possible environments through which we can deliver high quality and kind care. We aim to be the first-choice care home provider in each community we serve, and we continue to develop relationships with Local Authority and NHS Commissioners to be a trusted partner within increasingly integrated and area specific health and social care systems.

Going forward, we want to build on the progress made this year on occupancy recovery, recruitment, retention and the services we offer. We are excited to continue with our strategy, with the support of the Board, and this includes further investment into:

- Our colleagues: including through our new-starter colleague journey and expanding our flexible working offering.
- Our environments: including continuing with our comprehensive refurbishment and upgrade programme.
- Our core service lines: including nursing and dementia.
- Our service line developments: building on our complex dementia and enhanced Discharge to Assess (D2A) services.
- Our digital care journey: working towards an integrated digital care platform, which will enhance how we care for residents.

We remain focussed on identifying the careful addition of modern new homes that will appeal to both private and publicly funded residents and further enhance the attractiveness of the assets to residents, families and commissioners.

We are proud to have acquired Ideal Carehomes in October 2023. The acquisition includes 36 care homes in England, with a further care home expected to open in Cheltenham in September 2024. With a shared commitment to delivering high quality, kind care, we look forward to working together and continuing to support residents to lead their best lives.

We also have a complementary geographic reach, with Ideal Carehomes also demonstrating they have an excellent model of developing, opening and running successful homes in a sector that is not seeing enough new builds. Working with Ideal Carehomes is a natural partnership as we look to further enhance our portfolio and expand our offer and choice to people throughout their care journey.

We also continue with our programme of selling homes that we have identified as being better served by alternative operators, with proceeds from such sales going towards repayments of our debt.

The increase in payroll costs, allied with the widely reported rising costs, will inevitably lead to an increase in the fee rates we charge to residents. We will continue to play a leading role in this debate and work with Local Authorities, the NHS and other key stakeholders to drive a more integrated approach for providing health and social care to an increasingly older population with higher acuity.

STRATEGIC REPORT (Continued)

GOING CONCERN

In assessing the basis of preparation of the financial statements for the year ended 30 September 2023, the Directors use our anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on our ability to continue as a going concern. In challenging the Directors' assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of our planning process, the Directors focused on our headroom within our financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements.

As at 30 September 2023, our principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. Financial covenants were tested within the period to 30 September 2023 and there is no amortisation during the term of the loan. Financial covenant testing took place on 30 September 2023, and all covenant tests were met. This loan is a mortgage without which we would pay rent.

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement above. Further details can be found in the Contingent liabilities and guarantees note.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on our future performance. In making this assessment the Directors have considered our existing debt levels, the committed funding and liquidity positions under our debt covenants, our ability to generate cash from trading activities and our working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of our existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to occupancy growth, fee pricing, labour usage and labour pricing.

The Directors believe that appropriate sensitivities in assessing our ability to continue as a going concern are to model reductions in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing. The Directors believe that a stress test of these sensitivities to assess the headroom available under our debt covenants and available liquidity provides meaningful analysis of our ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach our financial covenants, or exhaust available liquidity, are plausible.

This stress test shows that, even after assuming a reduction in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing, we can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with our financial covenants.

Consequently, the Directors are confident that we will have sufficient funds to continue to meet our liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Mr D Smith
Director
29 February 2024

Registered office address:
C/O Maples Corporate Services Limited
PO BOX 309
Ugland House
Grand Cayman
KY1-1104, Cayman Islands

DIRECTORS REPORT

The Directors present their Directors' Report for the year ended 30 September 2023 which they have elected to prepare as if the UK Companies Act 2006 for such a report applied to them.

CORPORATE STRUCTURE

HC-One TopCo Limited ("the Company") is a private company limited by shares and was incorporated in the Cayman Islands on 9 April 2021 under company registration number 374184 (or UK company registration number FC038602). The registered office address is given on page 1.

The Directors regard Skyfall LP as the ultimate parent undertaking, and Skyfall GP Limited as the ultimate controlling party. Both organisations are registered and incorporated in the Cayman Islands.

The corporate structure is predominantly backed by funds from Safanad Limited, a global investment firm that invests in property, private and public markets.

In accordance with FRS102, the results of the group have been prepared using merger accounting principles applicable for group reconstructions. Under merger account the results and the cash flows of the group are combined from the beginning of the financial period in which the merger occurred. The Strategic report and Directors' report have been completed for the group as if it has always existed.

PRINCIPAL ACTIVITY

HC-One Topco Limited ("the Company") acts as a holding company, which conducts corporate activities on behalf of the Company and its subsidiaries ("the Group"). The Group owns care homes which are managed by the operating subsidiaries HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One Management Limited, HC-One No.5 Limited and HC-One No.6 Limited which provide nursing, residential and domiciliary care for the elderly in the UK.

The Directors intend to continue these activities in the forthcoming year.

Details of disabled employees' policy and of the principal risks and uncertainties, including financial and credit risks, are provided within the Strategic Report.

EMPLOYEE CONSULTATION

Details of employee consultation can be found in the Strategic Report on pages 2-15 and part of this report by cross-reference.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 2-15 and form part of this report by cross-reference.

DIRECTORS REPORT

BOARD COMPOSITION

The board of HC-One Topco Limited comprises of ten directors whose biographies are shown below. The board meets on a quarterly basis with all board members receiving a board report prior to each meeting including financial and operational information. On the basis that most of the strategic direction, financial performance and risk management of the Group are the responsibility of HC-One TopCo Limited.

DIRECTORS

The Company's Directors, who served throughout the year and to the date of signing, were as follows:

Directors	
Ms K Adamek Cholewa	Ms Adamek Cholewa was appointed as a Director in October 2021. Ms Adamek Cholewa serves as the Co-Head of the Portfolio and Asset Management team at Madison International Realty, with responsibility for the asset management of Madison's domestic and international investment portfolio. Ms Adamek Cholewa graduated with an MBA from New York University and a BS in Finance from Northern Arizona University.
Mr K A Bahamdan	Mr. Bahamdan was appointed as a director in April 2021. Kamal Bahamdan is the Founder and Chief Executive Officer of Safanad. Since 2002, Mr. Bahamdan has also been the CEO of the Bahamdan Group, a global investment holding group, where he is responsible for expanding its activities from a largely industrial base into telecommunications, education, infrastructure and retail across the MENA region by building investment and operating platforms. Prior to that, he was co-founder and managing partner of the BV Group, a private equity investment firm formed in 1995, focused on technology and real estate investments, and operating in the US, Europe and Asia. Mr. Bahamdan is a five-time equestrian Olympian and a bronze medalist in the 2012 Olympic Games. He was named a Young Global Leader 2006 by the Forum of Young Global Leaders, an affiliate of the World Economic Forum. Mr. Bahamdan is a graduate of Boston University with a B.Sc. degree in Manufacturing Engineering.
Dame Ruth Carnell	Dame Ruth was appointed as Director in September 2022. Dame Ruth has over 40 years' experience in health care at some of the highest levels of executive and strategic leadership, including seven years as Chief Executive of NHS London, where she oversaw a significant transformation programme. A well-known leader in independent consultancy, with extensive Board experience, Dame Ruth has provided strategic advice to leaders in health and care at national, regional, and local levels both in the UK and overseas. She has served as a Non-Executive Director of the Cabinet Office Board and is currently Vice Chair of healthcare think tank, The King's Fund. Ruth was made a Dame Commander of the British Empire in 2011 for her achievements in health care.
Mr Z Dannaoui	Mr Dannaoui was appointed as Director in April 2021. Mr Dannaoui holds a LLM degree in Law from the James E. Rogers School of Law and LLB in law from the Holy Spirit University school of Law. After practising law as managing partner with a Middle-Eastern regional law firm, he has held several senior management positions with global investment firms.
Mr M Oh	Mr Oh was appointed as Director in April 2021. Mr Oh is a Director on the Private Equity team at Safanad, Inc. and is focused on investments across healthcare and other sectors. Mr. Oh holds a B.A. degree, cum laude, in Mathematics from Dartmouth College and an M.B.A. degree from Harvard Business School.
Dr C Patel	Dr C Patel was appointed as a director in April 2021. Having joined HC-One Ltd as Chairman in September 2011. Prior to joining the Group, Dr Patel was a CEO and architect of the modern Priory Group, the UK's largest independent specialist mental health and education services group, CEO of Westminster Health Care Ltd and CareFirst. Dr Patel has over 30 years' experience in health and social care and has led and advised some of the largest care providers in the UK. Dr Patel is also the Founder Chairman of Elysian Capital a UK mid-market Private Equity partnership managing Elysian Capital Funds 1 & 2. Dr Patel is a Fellow of the Royal College of Physicians. Dr Patel was awarded a CBE in 1999.

DIRECTORS REPORT

BOARD COMPOSITION (Continued)

Directors (Continued)

Mr D Smith	Having joined HC-One Ltd as Finance Director in 2011, Mr Smith was appointed as a statutory director in 2015. Mr Smith is a Chartered Accountant with over 17 years' experience in the social care sector. Mr Smith's experience includes several refinancing transactions, acquisitions and disposals of multiple companies, implementation of capital structures and equity raising. Previously Mr Smith spent ten years at PriceWaterhouseCoopers working in the UK, Saudi Arabia and the US.
Mr A Trickett	Mr. Trickett was appointed as a director in April 2021. Andrew Trickett is Head of Investments and Member of the Executive Committee at Safanad. Mr. Trickett previously held the position of Senior Managing Director, Investments, at Oxford Properties Group, where he was responsible for acquisitions, dispositions and global new business development. Prior to joining Oxford, Mr. Trickett was a Senior Vice President with the Redbourne Group and he has also held several senior positions at Deutsche Bank and the Toronto Dominion Bank. He has been involved in significant international real estate transactions and has a track record in excess of US $20 billion. Mr. Trickett holds a BComm. degree from Queen's University in Ontario, Canada and has completed various executive education programs at Harvard Business School.
Mr J Tugendhat	Mr Tugendhat joined HC-One and was appointed a Director in September 2020. James is also a non-executive director of Royal Free London NHS Foundation Trust, a post held since January 2018. Prior to joining the Group, James was Managing Director of Bright Horizons Family Solutions, a global market leader in early years' care, where he managed over 10,000 employees, operating across 400 sites in five countries. Before that he spent more than 10 years in healthcare, including three years based in Boston, as chief executive of Health Dialog, a pioneer of population health and chronic disease management. Over his career, in addition to holding various management positions in divisions of BUPA, which acquired Health Dialog, he has held leadership roles in the consumer sector at Diageo and Method.
Mr A Whitman	Mr Whitman was appointed as Director in April 2021. He is the founder and Chairman of Formation Capital, a leading equity investor in the senior housing and care industry, and Co-Chairman of Genesis HealthCare. Most recently, he has become a partner in Aging2.0, a platform for innovation and technology for seniors. For over 15 years, Mr. Whitman has strategically led Formation Capital in its growth and execution of over $6 billion in transactions. Mr. Whitman serves on the board of Trident USA Health Services. He is also a current board member and Chairman Emeritus of the National Investment Centre for Seniors Housing and Care Industries (NIC). His other interests in the "seniors" business include being a Principal in Primecare Properties, and a board member of Care Institute. Mr. Whitman's career has allowed him extensive speaking engagements both domestically and internationally. He has written and been featured in many publications including National Real Estate Investor, McKnight's Long Term Care News, SeniorCare Investor, Contemporary Long Term Care, Assisted Living Today, Modern Healthcare and Real Estate Forum.

THIRD PARTY INDEMNITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of the Company's Directors and the directors of all its other subsidiaries, which were made during the year and remain in force to the date of this report.

POLITICAL CONTRIBUTIONS

The Group and the Company made no political donations during the year (2022: £nil).

DIVIDENDS

The Company has declared and paid dividend for a total sum of £nil during the year.

DIRECTORS REPORT

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006 applicable to overseas companies.

COMPLIANCE WITH WALKER GUIDELINES

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for disclosure and transparency in Private Equity.

Approved by the Board and signed on its behalf by:

Mr D Smith
Director
29 February 2024

Registered office address:
C/O Maples Corporate Services Limited
PO BOX 309, Ugland House
Grand Cayman, KY1-1104, Cayman Islands

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors of HC-One Topco Limited ('the directors') are responsible for the preparation of consolidated financial statements for the year ended 30 September 2023 in accordance with the requirements of the UK Companies Act 2006 as applicable to overseas companies, which are intended by them to give a true and fair view of the state of affairs of the group and of its profit or loss for that period. In addition, they have elected to present parent company financial statements, including the associated notes as if the UK Companies Act 2006, including the exemption from presenting the parent company profit and loss account under S408, applied to the company, which is intended to give a true and fair view of the state of affairs of the parent company. The have decided to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK accounting standards have been followed; subject to any material departures being disclosed and explained in the financial statements;
- assessed the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

In addition, the directors have elected to prepare a Director's Report as if the UK Companies Act 2006 for such reports applied to them.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HC-ONE TOPCO LIMITED

Opinion

We have audited the financial statements of HC-One Topco Limited ("the Company") for the year ended 30 September 2023 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as if those requirements were to apply.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 20 July 2023 and variation letter dated 27 November 2023. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the Company or to cease its operations, and as they have concluded that the group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group and Company's business model and analysed how those risks might affect the group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and management, as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and board performance committee minutes.
- Considering remuneration incentive schemes and performance targets for senior management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of properties within the group. On this audit we do not believe there is a fraud risk related to revenue recognition because of a lower risk that fee income is misstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those unusual postings to revenue, unusual postings to cash and loans, unusual postings to investment property, and unusual postings to investments in subsidiaries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and UK Care Standards as defined by the Care Quality Commission, Care and Social Services Inspectorate Wales and Care Inspectorate (Scotland), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, general data protection regulation (GDPR), anti-bribery, employment law, and environmental protection legislation, recognizing the nature of the group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Director's Report and Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Directors' responsibilities

As explained more fully in their statement set out on page 20, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our report has been prepared for the company solely in accordance with the terms of our engagement. It has been released to the company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the company's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the company determined by the company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the company for any purpose or in any context. Any party other than the company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Clare Partridge
for and on behalf of KPMG LLP
Chartered Accountants
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE31 3DX

29 February 2024

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2023

	Notes	Ordinary activities 2023 £'000	Exceptional costs (Note 9) 2023 £'000	Total 2023 £'000	Ordinary activities 2022 £'000	Exceptional costs (Note 9) 2022 £'000	Total 2022 £'000
Turnover	3	666,815	-	666,815	652,839	-	652,839
Cost of sales		(629,701)	(62,893)	(692,594)	(604,978)	(21,210)	(626,188)
GROSS (LOSS)/ PROFIT		**37,114**	**(62,893)**	**(25,779)**	**47,861**	**(21,210)**	**26,651**
Administrative expenses		(37,900)	-	(37,900)	(32,754)	-	(32,754)
OPERATING (LOSS)/ PROFIT		**(786)**	**(62,893)**	**(63,679)**	**15,107**	**(21,210)**	**(6,103)**
Loss on disposal of tangible fixed assets		(3,499)	-	(3,499)	(3,121)	-	(3,121)
Interest receivable and similar income	6	93	-	93	21	-	21
Interest payable and similar charges	7	(94,401)	-	(94,401)	(96,449)	-	(96,449)
LOSS BEFORE TAXATION	8	**(98,593)**	**(62,893)**	**(161,486)**	**(84,442)**	**(21,210)**	**(105,652)**
Tax on loss	10	25,092	-	25,092	8,595		8,595
LOSS AFTER TAXATION FOR THE FINANCIAL YEAR		**(73,501)**	**(62,893)**	**(136,394)**	**(75,847)**	**(21,210)**	**(97,057)**

Results are wholly derived from continuing operations, as per note 3 to these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2023

	2023 £'000	Restated (Note 28) 2022 £'000
LOSS FOR THE FINANCIAL YEAR	**(136,394)**	**(97,057)**
Upwards revaluation	95,856	33,594
Downwards revaluation	(60,790)	(843)
Deferred tax charge	(8,767)	(1,228)
TOTAL OTHER COMPREHENSIVE EXPENSE	**(110,095)**	**(65,534)**
Loss for the year and total comprehensive expense attributable to equity shareholders of the Company	(110,095)	(65,534)

CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 30 September 2023

	Notes	Group 2023 £'000	Restated Group 2022 (note 28) £'000	Company 2023 £'000	Company 2022 £'000
FIXED ASSETS					
INTANGIBLE FIXED ASSETS					
- Goodwill	11	3,945	5,120	-	-
- Negative goodwill	11	(59,586)	(65,410)	-	-
Net balance - negative goodwill		(55,641)	(60,290)	-	-
Other intangible fixed assets	11	820	723	-	-
		(54,821)	**(59,567)**	-	-
TANGIBLE FIXED ASSETS					
Operating properties	12	742,893	809,255	-	-
Other fixed assets	12	112,502	105,748	-	-
		855,395	**915,003**	-	-
INVESTMENTS	13	-	-	280,786	280,786
TOTAL FIXED ASSETS		**800,574**	**855,436**	**280,786**	**280,786**
CURRENT ASSETS					
Stocks	14	875	682	-	-
Debtors - due within one year	15	52,070	54,319	444	421
Cash at bank and in hand	16	23,799	58,473	-	-
		76,744	113,474	444	421
TOTAL ASSETS		**877,318**	**968,910**	**281,230**	**281,207**
CREDITORS: amounts falling due within one year	17	(115,053)	(107,234)	(24)	(109)
NET CURRENT (LIABILITIES)/ ASSETS		**(38,309)**	**6,240**	**420**	**312**
TOTAL ASSETS LESS CURRENT LIABILITIES		**762,265**	**861,676**	**281,206**	**281,098**
CREDITORS: amounts falling due after more than one year	18	(879,794)	(841,173)	(347,604)	(319,424)
PROVISION FOR LIABILITIES	19	(11,561)	(39,521)	-	-
NET LIABILITIES		**(129,090)**	**(19,018)**	**(66,398)**	**(38,326)**
CAPITAL AND RESERVES					
Called-up share capital	21	10	10	10	10
Share premium account	21	1,695	1,672	1,695	1,672
Revaluation reserve	21	293,760	301,180	-	-
Merger reserve	21	(33,097)	(33,097)	-	-
Profit and loss account	21	(391,458)	(288,783)	(68,103)	(40,008)
SHAREHOLDERS' DEFICIT		**(129,090)**	**(19,018)**	**(66,398)**	**(38,326)**

The Company has taken the advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company only has not been presented. The Company had a loss of £28m during the year (2022: £28m).

These financial statements were approved and authorised for issue by the Board on 29 February 2024.

Signed on behalf of the Board

Mr D Smith
Director
Registration number FC038602

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2023

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
As at 1 October 2021	**10**	**1,669**	**256,897**	**(33,097)**	**(202,137)**	**23,342**
Effect of restatement (note 28)	-	-	23,171	-	-	**23,171**
As at 1 October 2021 (Restated)	**10**	**1,669**	**280,068**	**(33,097)**	**(202,137)**	**46,513**
New share issue	-	29	-	-	-	**29**
Less: share issue costs	-	(26)	-	-	-	**(26)**
Total comprehensive expense for the year						
Loss and comprehensive expense for the financial year	-	-	-	-	(97,057)	**(97,057)**
Revaluation of tangible fixed assets (restated) (note 28)	-	-	33,594	-	-	**33,594**
Impairment of prior year tangible fixed asset revaluation	-	-	(843)	-	-	**(843)**
Deferred tax charge on revaluation of tangible fixed assets			(1,228)			**(1,228)**
Realised revaluation reserve*	-	-	(10,411)	-	10,411	-
As at 30 September 2022 (Restated)	**10**	**1,672**	**301,180**	**(33,097)**	**(288,783)**	**(19,018)**
New share issue	-	23	-	-	-	**23**
Total comprehensive expense for the year						
Loss and comprehensive expense for the financial year	-	-	-	-	(136,394)	**(136,394)**
Upwards revaluation	-	-	95,856	-	-	**95,856**
Downwards revaluation	-	-	(60,790)	-	-	**(60,790)**
Deferred tax charge on revaluation of tangible fixed assets	-	-	(8,767)	-	-	**(8,767)**
Realised revaluation reserve*	-	-	(33,719)	-	33,719	-
As at 30 September 2023	**10**	**1,695**	**293,760**	**(33,097)**	**(391,458)**	**(129,090)**

*The transfer relates to realisation of revaluation reserve on disposal of properties during the years ended 30 September 2022 and 30 September 2023.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2023

	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
As at 1 October 2021	**10**	**1,669**	**(11,998)**	**(10,319)**
New share issue	-	29	-	**29**
Less: share issue costs	-	(26)	-	**(26)**
Loss and total comprehensive expense for the year	-	-	(28,010)	**(28,010)**
As at 30 September 2022	**10**	**1,672**	**(40,008)**	**(38,326)**
New share issue	-	23	-	**23**
Loss and total comprehensive expense for the year	-	-	(28,095)	**(28,095)**
As at 30 September 2023	**10**	**1,695**	**(68,103)**	**(66,398)**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2023

	Notes	2023 £'000	2022 £'000
Net cash inflows from operating activities	22	3,292	28,283
Cash flows from investing activities			
Purchase of tangible fixed assets		(34,101)	(44,162)
Proceeds from sale of tangible fixed assets		51,770	62,669
Interest received		93	21
Net cash flows from investing activities		**17,762**	**18,528**
Cash flows used in financing activities			
Repayment of term loans		(40,924)	(47,335)
Drawdown of term loan		18,000	-
Finance costs paid		(32,804)	(33,984)
Net cash flows used in financing activities		**(55,728)**	**(81,319)**
Net decrease in cash and cash equivalent in the year		**(34,674)**	**(34,508)**
Cash and cash equivalent at beginning of year		58,473	92,981
Cash and cash equivalent at end of year	16	**23,799**	**58,473**
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**23,799**	**58,473**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2023

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding period.

General information and basis of accounting

The consolidated financial statements have been prepared to meet the requirements of the UK Companies Act 2006 applicable to overseas companies as set out in SI 2009/1801 The Overseas Companies Regulations 2009 as being overseas companies group accounts under those Regulations.

Financial statements of the Company have been voluntarily prepared alongside the consolidated financial statements. No company profit and loss account (or related note disclosure) has been presented, as if the exemptions under the UK Companies Act 2006 s408 were applicable to them.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with UK accounting standards, including Financial Reporting Standard 102 (FRS102) as issued by the UK Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Consolidated financial statements are also presented in pounds sterling. The Group do not have any foreign operations.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September each year. The financial statements of the Company have been presented alongside the consolidated financial statements. Exemptions have been taken in these separate Company financial statements in relation to a cash flow statement, the remuneration of key management personnel, and the disclosure of intercompany transactions with other group undertakings within Group.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with FRS102, the results of the group have been prepared using merger accounting principles applicable for group reconstructions. Under merger accounting, the results and the cash flows of the group are combined from the beginning of the financial period in which the merger occurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

1. ACCOUNTING POLICIES (Continued)

Going Concern

In assessing the basis of preparation of the financial statements for the year ended 30 September 2023, the Directors use our anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on our ability to continue as a going concern. In challenging the Directors' assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of our planning process, the Directors focused on our headroom within our financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements.

As at 30 September 2023, our principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. Financial covenants were tested within the period to 30 September 2023 and there is no amortisation during the term of the loan. Financial covenant testing took place on 30 September 2023, and all covenant tests were met. This loan is a mortgage without which we would pay rent.

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement above. Further details can be found in the Contingent liabilities and guarantees note.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on our future performance. In making this assessment the Directors have considered our existing debt levels, the committed funding and liquidity positions under our debt covenants, our ability to generate cash from trading activities and our working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of our existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to occupancy growth, fee pricing, labour usage and labour pricing.

The Directors believe that appropriate sensitivities in assessing our ability to continue as a going concern are to model reductions in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing. The Directors believe that a stress test of these sensitivities to assess the headroom available under our debt covenants and available liquidity provides meaningful analysis of our ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach our financial covenants, or exhaust available liquidity, are plausible.

This stress test shows that, even after assuming a reduction in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing, we can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with our financial covenants.

Consequently, the Directors are confident that we will have sufficient funds to continue to meet our liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognised goodwill as:

(a) the fair value of the consideration transferred; plus

(b) the fair value of the equity instrument issued; plus

(c) directly attributable transaction costs; less

(d) the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

1. ACCOUNTING POLICIES (Continued)

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years which is consistent with Group policy. Provision is made for any impairment.

Negative goodwill arising on a business combination in respect of acquisitions is included as intangible fixed assets on the balance sheet and released to the profit and loss account over a period of 10 to 25 years, in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the profit or loss in the period expected to benefit.

The carrying value of negative goodwill is assessed periodically to determine whether they are indications of further amount to be released to the profit and loss account in which the non-monetary assets arising on the same acquisition are recovered.

Intangible assets – software licences

Separately acquired software licences are included at cost and amortised on a straight line basis over their estimated useful economic life of between 1 to 3 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

Revaluation of properties

The Group has revalued its individual freehold and leasehold properties at fair value. Any surplus or deficit on book value (other than investment properties) being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

1. **ACCOUNTING POLICIES (Continued)**

Depreciation

Operating properties

Operating properties comprise of land and building used in the Group's principal activity, the management and running of care homes principally for the elderly. Buildings are depreciated in equal instalments over the estimated economic useful lives of each category of asset. The estimated useful economic life of the land is indefinite and hence no depreciation is charged. The estimated useful economic lives of the buildings are as follows:

Freehold and leasehold buildings	- 30 to 50 years

The useful economic lives of the freehold and leasehold buildings of the Group have been estimated at between 30 to 50 years from the date these properties have become owner occupied.

Other fixed assets

Other fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all other fixed assets at rates calculated to write off the cost less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Buildings and grounds	- shorter of the term of the lease or useful economic useful life
Fixtures, fitting and equipment	- 3 to 5 years
Motor vehicles	- 3 to 5 years

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

Investments

Investments are stated at cost less provision for any impairment in value.

Stock

Stocks are stated at the lower of cost and estimated net realisable value. Cost is calculated using the FIFO (first-in, first-out) method.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amounts that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

1. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense and income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise that assets and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover of operating business represents fee income receivable from care services provided. Turnover is recognised in the period in which the Group obtain the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. When payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year.

Cost of sales

Cost of sales includes home payroll costs, home running costs, depreciation and amortisation.

Exceptional costs

The Company separately presents certain items as exceptional on the face of the profit and loss account. Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve a reader's understanding of the financial information. Further information is given in note 9.

Finance costs

Costs which are incurred directly in connection with the raising of term loans and loan notes are amortised at a constant rate over the lives of the loan facility. The cost is written off fully when the existing facility is cancelled or repaid.

Interest

Interest receivable and interest payable are recognised in the financial statements on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

1. ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange for sterling ruling at the dates of the transactions. All monetary assets and liabilities in foreign currencies are expressed in sterling at the balance sheet date at the rates of exchange prevailing at that date. Exchange differences are recognised in profit and loss account in the period in which they arise.

Leases

The Group as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. No asset is recognised on the Group or the Company's balance sheet.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

Operating leases and contracts

Provisions are made for future operating lease payments on those homes which are not forecast to be profitable.

Pension Schemes

The Group operate auto enrolment into company Default Pension Schemes. The Default Pension Schemes are managed by external third parties. All pension schemes are accounted for as defined contribution pension schemes and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the assets. Where part of a grant relating to an asset is deferred, it is recognised as deferred income. Government grants received are for use in capital improvement projects of qualifying care homes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

1. ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired. There are no significant restrictions placed on the Group in fulfilling its financial liability obligations.

Debtors

Debtors are recognised initially at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash and balances in financial statements at no or short notice.

Creditors

Trade creditors are recorded initially at fair value, net of transaction costs incurred.

Loans

Interest-bearing term loans and loan notes are recorded at the proceeds received, net of direct issue costs. Any difference between the amount initially recognised and the redemption value is recognised in the profit and loss account over the year of the borrowing using the effective interest rate method.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

1. **ACCOUNTING POLICIES (Continued)**

Impairment of assets (Continued)

Non-financial assets (Continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION**

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the directors has assessed as being applicable to the entity and that have the most significant effect on the amounts recognised in the financial statements. It is deemed that there are no critical accounting judgements.

Fixtures and fittings

Accounting for fixtures and fittings involves the use of estimates for determining (a) the useful lives of the assets, over which they are to be depreciated, and (b) the existence and amount of any impairment. Details of fixtures and fittings are provided in note 12.

Fixtures and fittings are depreciated on a straight line basis over their estimated useful lives. When the Group estimates useful lives, various factors are considered including expected technology obsolescence and the expected usage of the asset. The Group regularly reviews these assets useful lives and future economic utilisation and the physical condition of the assets concerned.

The carrying value of fixtures and fittings is assessed periodically to determine whether there are indications of any impairment of the value beyond the depreciation charge. If this is the case, an impairment charge is taken against the carrying value of the assets and charged to profit and loss account. The impairment of fixed assets requires management judgement in determining the amounts to be impaired; in particular judgement is used when assessing the future cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (Continued)

Key sources of estimation uncertainty

(a) Goodwill and Negative goodwill

Goodwill and negative goodwill require an estimation of the period expected to benefit at the date of business combination.

The carrying value of negative goodwill is assessed periodically to determine whether they are indications of further amount to be released to the profit and loss account in which the non-monetary assets arising on the same acquisition are recovered.

(b) Provision for impairment of trade receivables

The Group makes an estimate of trade receivables recoverability and a provision for impairment which was based on past experience on collection history. The actual receivable collections may differ from the estimated recoverable, which could impact operating profit or loss.

Given the uncertainties in the estimates used to determine the provisions, the actual outflow of resources may differ from the estimated amounts, which could impact operating profit or loss.

(c) Provisions

Provisions are recognised when an event in the past give rise to a current obligation for the Company, settlement of which requires an outlay that is considered probable and can be estimated reliably. The obligation may be legal or constructive; deriving from regulations, contracts or normal practices that lead third parties to reasonably expect that the Group will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all the available information. No provision is recognised if the amount of liability cannot be estimated reliably. See note 19 to the financial statements.

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised; in particular judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income and gains or losses arising from revaluation of properties. Refer to note 20 for further details of deferred tax assets and liabilities recognised.

(e) Fair values of properties

Determining the fair value of freehold and long-leasehold properties requires estimation based upon the market and cash flows of assets. As at 30th September 2023, the directors engaged independent valuers, Knight Frank LLP to undertake a valuation of the property portfolio. The properties were valued on an open market valuation using the fair maintainable trade and operating profit, assuming all properties are fully equipped as an operational entity. See further details in note 12.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

3. SEGMENTAL INFORMATION

The operating business led by HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No. 5 Limited, HC-One Management Limited and HC-One No.6 Limited care home operators in the UK providing nursing, residential and domiciliary care to the elderly.

The Group has a central function which conducts corporate and administrative activities.

The business is comprised of one operating segment and all trade is derived within the UK.

Turnover	**2023**	**2022**
Sales to third parties:	**£'000**	**£'000**
Operating business	666,815	652,839
	666,815	**652,839**

	2023	**2022**
Profit before taxation	**£'000**	**£'000**
Operating business	(63,679)	(6,103)
Group operating (loss)/ profit	**(63,679)**	**(6,103)**
Loss on disposal of tangible fixed assets	(3,499)	(3,121)
Interest receivable and similar income	93	21
Interest payable and similar expenses	(94,401)	(96,449)
Loss before taxation	**(161,486)**	**(105,652)**

		Restated
Net (liabilities)/ assets	**2023**	**2022**
	£'000	**£'000**
Operating business	682,343	781,611
	682,343	**781,611**
Term loan (net of issue costs) (note 18)	(533,084)	(522,280)
10% cumulative preference shares	(278,349)	(278,349)
Net (liabilities)/ assets	**(129,090)**	**(19,018)**

4. STAFF COSTS

The aggregate staff costs (including Directors) were as follows:

Group	**2023 £'000**	**2022 £'000**
Wages and salaries	446,818	435,738
Social security costs	31,460	29,888
Other pension costs*	7,219	6,641
	485,497	**472,267**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

4. STAFF COSTS (Continued)

Average monthly number of employees (including Directors):	2023	2022
Group	**No.**	**No.**
Administrative	653	618
Care staff	18,713	19,784
	19,366	**20,402**

*The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year ended 30 September 2023 was £7,219,000 (2022: £6,641,000).

Company

There are no staff costs incurred by the Company during the current year or the preceding period. All employees are employed by HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No. 5 Limited, HC-One No.6 Limited and HC-One Management Limited, the Company's group undertakings.

5. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services were as follows:

	2023	2022
Group	**£'000**	**£'000**
Emoluments	1,228	1,406
Company contributions to money purchase pension schemes	55	53
	1,283	**1,459**
No. of directors accruing benefits under defined contribution scheme	1	1

	2023	2022
Highest Paid Director	**£'000**	**£'000**
Emoluments	622	686
	622	**686**

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023	2022
Group	**£'000**	**£'000**
Interest receivable from bank deposits	93	21
	93	**21**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
Group	**£'000**	**£'000**
Interest payable on term loans	62,664	65,281
10% cumulative preference share dividends	27,911	27,761
Amortisation of loan issue costs	3,325	2,961
Other bank finance costs	501	446
	94,401	**96,449**

8. LOSS BEFORE TAXATION

	2023	2022
	£'000	**£'000**
Loss before taxation is arrived after charging/(crediting):		
Depreciation of tangible fixed assets (note 12):		
- owned assets	41,521	42,291
- leased assets	9,701	9,995
Negative goodwill credited to profit and loss (note 11)	(5,824)	(8,659)
Amortisation of goodwill (note 11)	1,175	1,173
Amortisation of capital grant	(641)	(319)
Amortisation – other intangible assets (note 11)	6,061	3,525
Downwards revaluation to P&L (see note 9 and 12)	26,514	1,993
Restructuring costs (note 9)	102	4,087
Onerous lease provision (see note 9 and 19)	207	1,326
Exceptional COVID-19 costs (see note 9)	-	1,846
Exceptional project costs (see note 9)	5,170	-
Exceptional agency premium costs (see note 9)	11,100	11,958
Exceptional utility premium costs (see note 9)	19,800	-
Government grants (including Cost Recoveries, Occupancy Guarantees, Infection Control Fund and Rapid Testing Fund grants)	(4,950)	(18,995)
Operating lease rentals – land and buildings	23,320	23,804

Auditor's remuneration	**2023**	**2022**
The analysis of auditor's remuneration (including VAT) is as follows:	**£'000**	**£'000**
Fees payable to the Company's auditor for the audit of the Company's annual financial statements pursuant to legislation	27	25
Fees payable to the Company's auditor for the audit of the Company's Subsidiaries' annual financial statements	468	421
Total auditor's remuneration	**495**	**446**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

9. EXCEPTIONAL COSTS

Group	2023 £'000	2022 £'000
Included within cost of sales:		
Downwards revaluation to Profit and Loss (note 12)	26,514	1,993
Restructuring costs	102	4,087
Exceptional COVID-19 Costs	-	1,846
Exceptional agency premium costs	11,100	11,958
Exceptional utility premium costs	19,800	-
Onerous lease provision (note 19)	207	1,326
Exceptional project costs	5,170	-
Total exceptional costs	**62,893**	**21,210**

Downwards revaluation to P&L

As at 30 September 2023, the Freehold and Long leasehold operating properties were revalued following a full property portfolio review by external valuers. This resulted in a downwards revaluation of £26,514,000 (2022 director's valuation: £1,993,000) through the profit and loss account.

Restructuring costs

Exceptional costs totalling £102,000 have been incurred relating to the group restructuring costs in the year ended 30 September 2023 (2022: £4,087,000).

Exceptional COVID-19 costs

During the year, the Group incurred exceptional costs in relation to COVID-19 totalling £Nil (2022: £1,846,000), which includes Personal Protective Equipment ("PPE") related costs.

Exceptional agency premium costs

During the year, the Group incurred exceptional agency costs which are deemed to be at a temporary premium due to external market factors resulting in higher than expected costs, these totalled £11,100,000 in the year to 30 September 2023 (2022: £11,958,000). The additional costs relate only to incremental vacancies arising from the mandating of the COVID vaccination which came to force during November 2021.

Exceptional utility premium costs

During the year, the Group incurred exceptional utility costs which are deemed to be at a temporary premium due to external market factors resulting in higher than expected costs. The exceptional element is limited to the premium incurred which is deemed to be over the expected annual charge. These costs totalled £19,800,000 in the year to 30 September 2023 (2022: £Nil).

Onerous leases

During the year, the Group conducted a review of the property lease portfolio. The review resulted in a charge to exceptional costs of £207,000 in the year ended 30 September 2023 (2022: £1,326,000).

Exceptional project costs

Exceptional costs totalling £5,170,000 have been incurred relating to group project costs relating to IT and other areas in the year ended 30 September 2023 (2022: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

10. TAX ON LOSS

Group	2023 £'000	2022 £'000
Current tax		
UK corporation tax on loss for the year	-	-
Adjustment in respect of previous periods	-	(228)
Total current tax	**-**	**(228)**
Deferred tax		
Origination and reversal of timing differences	(25,591)	(9,387)
Adjustment in respect of previous periods	504	3,592
Effect of tax rate changes	(5)	(2,572)
Total deferred tax	**(25,092)**	**(8,367)**
Tax credit per income statement	**(25,092)**	**(8,595)**
Other comprehensive income items		
Deferred tax current charge	**8,767**	**1,228**

	2023 £'000	2022 £'000
Reconciliation of current tax charge		
Loss before taxation	**(161,486)**	**(105,652)**
Tax on loss at standard rate of 22.01% (2022: 19.0%)	**(35,540)**	**(20,074)**
Factors affecting the change:		
Non-deductible expenses	6,793	6,141
Income not taxable for tax purposes	(3,641)	(649)
Adjustments from previous periods	504	3,641
Movement in deferred tax not recognised	-	4,865
Effects of losses	-	26
Land remediation relief	-	(5)
Deferred tax not recognised	6,797	-
Gains/ rollover relief	-	309
Tax rate changes	(5)	(2,849)
Total tax credit for the year	**(25,092)**	**(8,595)**

Finance Act 2021 which was Substantively Enacted on 24 May 2021 included provisions to increase the rate further to 25% effective from 1 April 2023 and the rate has been applied when calculating the deferred tax at the year end.

There is no expiry date on timing differences, unused tax losses or tax credits.

Pillar Two legislation was substantively enacted in the UK on 20 June 2023, the jurisdiction in which the company is incorporated, and will come into effect for accounting periods commencing from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to accounting standards issued in May 2023.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The group is currently engaged with tax specialists to assist it with the assessment of the potential impact of the legislation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

11. INTANGIBLE ASSETS

Goodwill

	Purchased goodwill
Group	**£'000**
At Cost:	
At 1 October 2022 & 30 September 2023	**11,770**
Accumulated amortisation	
At 1 October 2022	6,650
Charge for the year	1,175
At 30 September 2023	**7,825**
Net book value	
At 30 September 2023	**3,945**
At 30 September 2022	5,120

Other intangible fixed assets – Software licences

	Software Licences
Group	**£'000**
At Cost:	
At 1 October 2022	11,614
Additions	6,158
Disposals	(13,158)
At 30 September 2023	**4,614**
Accumulated amortisation	
At 1 October 2022	**10,891**
Charge for the year	6,061
Amortisation eliminated on disposal	(13,158)
At 30 September 2023	**3,794**
Net book value	
At 30 September 2023	**820**
At 30 September 2022	723

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

11. INTANGIBLE ASSETS (Continued)

Negative goodwill

	Negative goodwill £'000
Group	
At Cost:	
At 1 October 2022 & 30 September 2023	**(106,617)**
Accumulated amortisation	
At 1 October 2022	41,207
Credit for the year	5,824
At 30 September 2023	**47,031**
Net book value	
At 30 September 2023	**(59,586)**
At 30 September 2022	**(65,410)**

Negative goodwill is being amortised on a straight-line basis over a period of 10 to 25 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

12. TANGIBLE FIXED ASSETS

Operating properties	Freehold operating properties	Long leasehold operating properties	Total
Group	**£'000**	**£'000**	**£'000**
At Cost or Valuation			
At 1 October 2022	545,005	213,503	758,508
Effect of restatement (note 28)	31,697	19,050	50,747
At 1 October 2022 (Restated)	576,702	232,553	809,255
Additions	111	-	111
Disposals	(49,358)	-	(49,358)
Upwards revaluation	64,085	31,771	95,856
Downwards revaluation	(56,590)	(30,714)	(87,304)
Depreciation eliminated on revaluation	(15,966)	(9,701)	(25,667)
At 30 September 2023	**518,984**	**223,909**	**742,893**
Accumulated depreciation			
At 1 October 2022	-	-	-
Charge for the year	16,566	9,701	26,267
Disposals	(600)	-	(600)
Depreciation eliminated on revaluation	(15,966)	(9,701)	(25,667)
At 30 September 2023	-	-	-
Net book value			
At 30 September 2023	**518,984**	**223,909**	**742,893**
At 30 September 2022 (Restated)	576,702	232,553	809,255

As at 30 September 2023, the freehold and long leasehold operating properties were revalued as part full portfolio valuation undertaken by external valuers, Knight Frank LLP. The properties were valued on an open market valuation using the fair maintainable trade and operating profit, assuming all properties are fully equipped as an operational entity. This resulted in an upwards revaluation of £95,856,000 recognised in Other Comprehensive Income and a downwards impairment of £87,304,000. Of the £87,304,000 impairment, £60,790,000 was recognised in Other Comprehensive Income reversing previous increases and £26,514,000 through exceptional costs, see note 9.

The key assumptions underpinning the valuation of properties are the fair maintainable trade and the yield. The fair maintainable trade assumes that the properties are operating at a maintainable rate. The yield will be specific each property depending on location and physical nature of the asset.

All the freehold and long leasehold operating properties of the Group have been pledged to secure borrowings of the Group. See further details in note 18 to the financial statements.

As at 30 September 2023 the historical costs of freehold and long leasehold operating properties were £592,336,000 (2022: £635,549,000).

Total capital commitment as of 30 September 2023 was £nil (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

12. TANGIBLE FIXED ASSETS (Continued)

Other fixed assets

	Buildings and grounds £'000	Fixtures, fittings & equipment £'000	Motor Vehicles £'000	Total £'000
Group				
Cost				
At 1 October 2022	73,334	164,242	6,755	244,331
Additions	10,288	26,895	394	37,577
Disposals	(6,159)	(12,833)	(100)	(19,092)
At 30 September 2023	**77,463**	**178,304**	**7,049**	**262,816**
Accumulated depreciation				
At 1 October 2022	25,815	107,802	4,966	138,583
Charge for the year	3,690	20,567	698	24,955
Disposals	(3,214)	(9,928)	(82)	(13,224)
At 30 September 2023	**26,291**	**118,441**	**5,582**	**150,314**
Net book value:				
At 30 September 2023	**51,172**	**59,863**	**1,467**	**112,502**
At 30 September 2022	47,519	56,440	1,789	105,748
Leased assets included above:				
Net book value:				
At 30 September 2023	-	-	**1,467**	**1,467**
At 30 September 2022	-	-	1,789	1,789

Buildings and grounds figures do not include the value of freehold land and buildings.

When considering future operating performance, cash flow projections have been based on management operating profit projections for a three year period which have been approved by management. Future cash flows have been discounted at a discount rate of 8.0%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

13. INVESTMENTS

Company	
Shares in subsidiary undertakings:	**£'000**
Cost or valuation	
At 1 October 2022 & 30 September 2023	**280,786**

At 30 September 2023, the Company held investments either directly or indirectly in the following subsidiary undertakings:

Name	Principal activity
HC-One Topco No.1 Limited**	Holding Company
HC-One Holdco Limited**	Holding Company
HC-One Holdco 1 Limited**	Holding Company
HC-One Holdco 2 Limited**	Holding Company
HC-One Holdco 3 Limited**	Holding Company
HC-One FinCo Limited*	Holding Company
HC-One Holdings Limited*	Holding Company
HC-One Management Limited*	Management Company
HC-One Upper Midco Limited*	Holding Company
HC-One Intermediate Holdco 1 Limited *	Holding Company
HC-One (NHP5) Limited*	A related undertaking of a care home group
HC-One (NHP6) Limited*	A related undertaking of a care home group
HC-One (NHP1) Limited*	A related undertaking of a care home group
HC-One (NHP3) Limited*	A related undertaking of a care home group
*HC-One (NHP8) Limited	A related undertaking of a care home group
HC-One (NHP7) Limited*	A related undertaking of a care home group
HC-One (NHP4) Limited **	A related undertaking of a care home group
HC-One (NHP2) Limited **	A related undertaking of a care home group
HC-One Intermediate Holdco 4 Limited***	Investment company in care home operating company
HC-One Limited *	Care Home Operator
HC-One Intermediate Holdco 5 Limited*	Holding Company
HC-One No.5 Limited*	Care Home Operator
HC-One Properties 5 Limited *	Investment in care home properties
HC-One No.2 Limited *	Care Home Operator
HC-One No.4 Limited *	Care Home Operator
HC-One Properties 3 Limited****	Investment in care home properties
HC-One Intermediate Holdco 2 Limited *	Holding Company
HC-One Properties 2 Limited ****	Investment in care home properties
HC-One Properties 1 Limited*	Investment in care home properties
HC-One Properties 4 Limited*	Investment in care home properties
HC-One Properties Group Limited*	Holding Company
HC-One No.3 Limited *	Care Home Operator
HC-One No.6 Limited *	Care Home Operator
HC-One Intermediate Holdco 3 Limited **	Holding Company
HC-Onc No.1 Limitcd *	Carc Homc Opcrator
HC-One Alium Holdco Limited *	Dormant Company

Country of incorporation
* United Kingdom, ** Cayman Islands, *** Jersey, **** Isle of Man

HC-One Topco No.1 Limited shares are held directly by the company. All others are indirect. All shares held are ordinary shares. All investments are at 100% holdings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

14. STOCKS

	2023	2022
Group	**£'000**	**£'000**
Consumables	**875**	**682**

15. DEBTORS: DUE WITHIN ONE YEAR

	2023	2022
Group	**£'000**	**£'000**
Trade debtors	33,545	34,258
Other debtors	4,299	4,524
Prepayments and accrued income	10,588	13,400
Amounts due from related Parent undertakings (see note 25)	3,638	2,137
	52,070	**54,319**

All financial assets instruments are measured at amortised cost.

Amounts due from related group undertakings

The amounts are due on demand bearing no interest. All amounts related to unsecured debts.

16. CASH AT BANK AND IN HAND

	2023	2022
Group	**£'000**	**£'000**
Cash at bank and in hand	**23,799**	**58,473**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
Group	**£'000**	**£'000**
Trade creditors	38,773	35,658
Finance leases (see below)	474	727
Other creditors	795	5,493
Taxation and social security	16,252	7,279
Accruals and deferred income	58,759	58,077
	115,053	**107,234**
Company		
Other creditors	24	109

Amounts due to related group undertakings

The amounts are due on demand bearing no interest. All amounts related to unsecured liabilities.

	2023	2022
Finance leases	**£'000**	**£'000**
Future minimum payments under finance leases are as follows:		
Between two and five years	642	736
Total due after more than one year	**642**	**736**
Within one year	474	727
Total future minimum payments under finance leases	**1,116**	**1,463**

Finance leases related to assets acquired under hire purchase contracts for motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group	2023 £'000	2022 £'000
Term loan - payable between two and five years	533,084	522,280
10% cumulative 2,783,485.53 preference shares at £100 each	278,349	278,349
Interest payable on preference shares	67,719	39,808
Finance leases (see note 17)	642	736
	879,794	**841,173**

Term Loan	2023 £'000	2022 £'000
Term loan - payable between two and five years	540,686	532,904
Less: Issue costs	(7,602)	(10,624)
	533,084	**522,280**

Term loan

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement originally dated 20 April 2021, with a maturity date on 10 October 2028. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Holdco 3 Limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £619.9m remains outstanding.

10% cumulative preference shares

On 27 April 2021 the Company issued 2,783,485.53 preference shares with a nominal value of £100 per share, which was also the subscription price. The preference shares shall not be entitled to any voting rights. Preference shares are entitled to dividends at a rate of 10% per annum at subscription price and are accrued on daily basis. Amounts outstanding in respect of the preference shares and accrued dividends are shown within the Company balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Analysis of changes in net debt

Group	At 30 September 2022 £'000	Cashflow £'000	Non-cash savings* £'000	At 30 September 2023 £'000
Cash at bank (note 16)	**58,473**	(34,674)	-	**23,799**
Term loan – payable between two and five years (note 18)	**(532,904)**	22,924	(30,706)	**(540,686)**
10% cumulative preference shares (note 18)	**(278,349)**	-	-	**(278,349)**
Finance leases (notes 17 and 18)**	**(1,463)**	347	-	**(1,116)**
	(754,243)	**(11,403)**	**(30,706)**	**(796,352)**

*Non-cash changes relate to the rolled up PIK interest on the term loan.
** Finance lease payments were included within "finance costs paid" in the cash flow.

Reconciliation of net cashflow to movement in net debt

Group	2023 £'000	2022 £'000
Decrease in cash and cash equivalent during the year	(34,674)	(34,508)
Net cash outflow from financing activities	23,271	48,197
Changes in net debt resulting from cash flow	(11,403)	13,689
Non-cash changes in net debt*	(30,706)	(32,783)
Net debt at the beginning of year	(754,243)	(735,149)
	(796,352)	**(754,243)**

*Non-cash changes relate to the rolled up PIK interest on the term loan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

19. PROVISIONS FOR LIABILITIES

	2023	2022
Group	**£'000**	**£'000**
Deferred taxation (see note 20)	-	16,325
Onerous leases (see below)	207	1,685
Other provisions (see below)	11,354	21,511
	11,561	**39,521**

	Onerous leases £'000
At 1 October 2022	1,685
Charge to exceptional costs	207
Utilisation of provision	(1,685)
At 30 September 2023	**207**

Onerous leases

During the year, the Group conducted a review of the property lease portfolio. The review resulted in the onerous lease provision of £207,000 at 30 September 2023 (2022: £1,685,000). The provision is expected to be utilised within the next twelve months.

	Other provisions £'000
At 1 October 2022	21,511
Utilised in the year	(10,157)
At 30 September 2023	**11,354**

Other provisions

During the year, the Group held provisions totalling £11,354,000 (2022: £21,511,000) for various items including insurances and litigation amongst others. The provisions are expected to unwind as and when the outcomes of the specific provisions become more certain.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

20. DEFERRED TAXATION

Group	**Provided 2023**	**Unprovided 2023**	**Provided 2022**	**Unprovided 2022**
Deferred tax liability	**£'000**	**£'000**	**£'000**	**£'000**
Fixed asset timing differences	45,781	(9,952)	50,072	(11,952)
Short term timing differences	(28,428)	(2,620)	(17,229)	-
Losses	(17,353)	(26,642)	(16,518)	(14,587)
	-	**(39,214)**	**16,325**	**(26,539)**

	2023 £'000	**2022 £'000**
Deferred tax liabilities:		
Provision at 1 October	16,325	23,465
Adjustment in respect of prior years	504	3,592
Adjustment in respect of prior years charged to equity	-	2,662
Deferred tax credit to the profit and loss account (see note 10)	(25,596)	(11,959)
Deferred tax charge/ (credit) in equity	8,767	(1,434)
Other tax adjustments	-	(1)
Provision at 30 September	**-**	**16,325**

Deferred tax

Company	**Provided 2023**	**Unprovided 2023**	**Provided 2022**	**Unprovided 2022**
	£'000	**£'000**	**£'000**	**£'000**
Deferred tax (asset) / liability				
Losses	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

21. CAPITAL AND RESERVES

Company	2023 Number	2023 £'000	2022 Number	2022 £'000
Called up, allotted and not fully paid:				
Class A1 ordinary share	687,890	7	687,890	7
Class A2 ordinary share	132,110	1	132,110	1
Class B1 ordinary share	97,000	1	85,300	1
Class B2 ordinary share	80,000	1	80,000	1
		10		10

The voting rights of Class A1, Class A2, Class B1 and Class B2 ordinary shares are not ranked equally.

99% of Class B1 and Class 2 ordinary share subscription prices are deferred.

Preference shares of 2,783,485.53 at £100 each are presented as a liability (see note 18), and accordingly are excluded from called up share capital in the balance sheet.

The Group and Company's other reserves are as follows:

- The share premium reserve contains the premium arising on the issue of equity shares.
- The revaluation reserve represents the cumulative effect of revaluations of freehold and long leasehold operating properties which are revalued to fair value at each reporting date.
- The merger reserve represents the effects from adopting merger accounting principles.
- The profit and loss reserve represents cumulative profits or losses, including realised profit on the re-measurement of investment properties, net of dividends paid.

22. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW

	2023 £'000	2022 £'000
Operating loss (after exceptional costs)	(63,679)	(6,103)
Impairment of tangible fixed assets	26,514	1,993
Onerous lease provision	207	1,326
Depreciation of tangible fixed assets	51,222	52,286
Purchase of intangible fixed assets	(6,158)	(3,303)
Amortisation of negative goodwill	(5,824)	(8,659)
Amortisation of goodwill	1,175	1,173
Amortisation of intangible fixed assets	6,061	3,525
Amortisation of capital grants	(641)	(319)
Increase/ (Decrease) in creditors	4,178	(11,763)
Decrease/ (Increase) in debtors	2,271	(3,559)
Increase in stocks	(193)	(55)
(Decrease)/ Increase in provisions	(11,841)	1,902
Tax paid	-	(161)
Net cash inflow from operating activities	**3,292**	**28,283**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

23. FINANCIAL COMMITMENTS

Capital commitments relate to amounts contracted for in relation to the purchase of property, plant and equipment. The total capital commitment as at 30 September 2023 was £nil (2022: £nil).

Minimum lease payments under non-cancellable operating leases fall due as follows:

	Land & buildings		Motor Vehicles	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Future minimum lease payments due in:				
- within one year	20,949	23,504	271	181
- between two and five years	83,795	94,017	571	229
- after five years	1,165,749	1,256,237	-	-
	1,270,493	**1,373,758**	**842**	**410**

The operating lease of land and buildings is in relation to the care homes held with Ice UK Investments (Jersey) Ltd and ANW TDS (Nominee 1) Limited and ANW TDS (Nominee 2) Limited as trustee of the Index Linked Income Fund, which are subject to rent reviews at specified intervals.

24. CONTINGENT LIABILITIES AND GUARANTEES

On 5 October 2023, HC-One Finco Limited entered a five year £635m Amendment and Restatement Facility Agreement relating to the facility agreement originally dated 20 April 2021, with a maturity date on 10 October 2028. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Holdco 3 Limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £619.9m remains outstanding.

25. RELATED PARTY TRANSACTIONS

Amounts due to and from related group undertakings not included in the consolidation group were detailed in the table below:

At 30 September 2023	**Other amounts £'000**
Amounts due from related group undertakings (see note 15):	
FC Skyfall SPV Limited	3,638
	3,638

At 30 September 2022	**Other amounts £'000**
Amounts due from related group undertakings (see note 15):	
FC Skyfall SPV Limited	2,137
	2,137

26. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

On 12 October 2023, HC-One Holdings Limited, a subsidiary undertaking acquired a 100% share capital of Ideal Carehomes Topco Limited at total purchase consideration of £105.7m. The purchase consideration was funded by a combination of new equity and debt facility. Ideal Carehomes Topco Limited and its subsidiary undertakings operate 37 care homes across the UK.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is FC Skyfall SPV Limited, a company incorporated and registered in the Cayman Islands.

The Directors regard Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking.

The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited, a company incorporated in Cayman Islands.

The largest group into which these financial statements are consolidated is HC-One TopCo Limited with registered office at c/o IQ EQ Corporate Services (Cayman) Limited, PO Box 2251, 3rd Floor Whitehall House, 238 North Church Street, Grand Cayman KY1-1107 Cayman Islands.

Copies of the consolidated financial statements for the year ended 30 September 2023 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2023

28. RESTATEMENT OF PRIOR YEAR FINANCIAL SATEMENTS

During review of the current year financial statements the Directors identified that revaluation of operating properties on consolidation had been understated in the accounts for the year ended 30 September 2022 by the amount of in year depreciation during each of the past two financial years.

As a result of this, tangible fixed assets and the revaluation reserve brought forward as at 1 October 2021 have increased by £23.2m and tangible fixed assets and the revaluation reserve as at 30 September 2022 have increased by a further £27.6m resulting in a total prior year adjustment to tangible fixed assets and the revaluation reserve of £50.8m. There is no effect on the profit and loss account or the cash flow statement.

	Notes	Group 2022 £'000	Adjustment £'000	Restated Group 2022 £'000
FIXED ASSETS				
INTANGIBLE FIXED ASSETS		**(59,567)**	-	**(59,567)**
TANGIBLE FIXED ASSETS				
Operating properties	12	758,508	50,747	809,255
Other fixed assets	12	105,748	-	105,748
		864,256	**50,747**	**915,003**
INVESTMENTS	13	-	-	-
TOTAL FIXED ASSETS		**804,689**	**50,747**	**855,436**
CURRENT ASSETS		**113,474**	-	**113,474**
TOTAL ASSETS		**918,163**	**50,747**	**968,910**
CREDITORS: amounts falling due within one year	17	(107,234)	-	(107,234)
NET CURRENT ASSETS		**6,240**	-	**6,240**
TOTAL ASSETS LESS CURRENT LIABILITIES		**810,929**	**50,747**	**861,676**
CREDITORS: amounts falling due after more than one year	18	(841,173)	-	(841,173)
PROVISION FOR LIABILITIES	19	(39,521)	-	(39,521)
NET LIABILITIES		**(69,765)**	**50,747**	**(19,018)**
CAPITAL AND RESERVES				
Called-up share capital	21	10	-	10
Share premium account	21	1,672	-	1,672
Revaluation reserve	21	250,433	50,747	301,180
Merger reserve	21	(33,097)	-	(33,097)
Profit and loss account	21	(288,783)	-	(288,783)
SHAREHOLDERS' DEFICIT		**(69,765)**	**50,747**	**(19,018)**